

**USAID/Mozambique**  
**FY 1999 Results Review and Resource Request**

**March 7, 1997**



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## USAID/Mozambique FY 1999 Results Review and Resource Request

### Introduction

Progress on USAID/Mozambique's country strategy **exceeded expectations** during FY 1996:

- \* In economic growth, improved domestic and export production and marketing increased income and provided food security benefits at both household and national levels.
- \* In democracy and governance, broader citizen participation improved deliberations on public issues while peace continued within a functioning multi-party system.
- \* In population and health, access to basic services increased in a context of government-nongovernmental cooperation.

This progress directly and significantly contributed to **U.S. foreign policy interests** of promoting U.S. economic opportunity, preventing humanitarian crises, and enhancing prospects for peace and stability throughout the southern Africa region. It closely corresponds with the **strategies of the OECD/DAC** for making development assistance more effective by "working with many more partners to meet demands for greater efficiency, respond to more pluralistic and decentralized political systems, and recognize the importance of a dynamic private sector, local ownership and participation by civil society."<sup>1</sup> Furthermore, these achievements support all five of the **Agency's strategic goals**, as well as an array of special regional initiatives.

Progress during 1996 led to a number of new Mission initiatives to ensure achievement of strategic objectives by 2001, such as:

- \* Targeted activities to improve the **Administration of Justice** by increasing the effectiveness of Mozambique's court systems and alternative dispute resolution mechanisms.
- \* Development of a Mission **Environment Strategy** which will support Mozambique's efforts to protect at-risk natural resources and enhance the sustainability of overall resource use.
- \* A major investment to strengthen the ability of Mozambican non-governmental organizations to become viable and effective development partners, both sectorally and as members of civil society; this is an important next step in the Mission's contribution to the Agency's **New Partnerships Initiative (NPI)**.<sup>2</sup>

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<sup>1</sup>OECD/DAC, "Shaping the 21st Century: The Contribution of Development Co-operation," May 1996.

<sup>2</sup>Last year's Results Review (Section IV.A) described USAID/Mozambique's collaboration with partners in the PVO/NGO and private sectors and the crucial support this collaboration provides to achieving the Mission's objectives. Across its sectoral activities in economic growth, environment, democracy, and health/population, the Mission is making a concerted effort to

- \* Participation in the **Leland Initiative**, building on recent legal and policy reforms to provide Mozambicans with full access to the Internet and global communications through competitive private sector services.
- \* An **HIV/AIDS Prevention Strategy** to complement and support the Mission's objectives in population and child survival and Mozambique's own AIDS control efforts.

At the same time, the Mission closed activities no longer appropriate to a longer-term development strategy, such as:

- \* Support to SADC regional rail systems (except for policy support, which will continue)
- \* Support for post-war reintegration of demobilized soldiers; related support for demining is being phased out as other donors pick up residual activities in this area
- \* War- and drought-related emergency relief activities: emergency food aid distributions, seeds and tools distributions, health and water assistance, and other special programs for millions of Mozambicans, including returned refugees and internally displaced persons

These accomplishments were possible because Mozambique showed its own strength as a development partner -- with a democratically elected government continuing to undertake substantial political and economic reforms and a population beginning to mobilize its own resources -- and because regional cooperation and foreign investment (including from the U.S.) have truly begun. The Mission looks forward to a continued strong performance in FY 1997-99.

## **Part One: Factors Affecting Program Performance**

Mozambique's 1996 **macro-economic performance was extraordinary**. The inflation rate was only 16.6% (compared to a target of 22% and a 1995 level of 54.1%). While the exchange rate depreciated by 5.3% against the U.S. dollar, it appreciated by 14.7% against the South African rand, making goods from this major trading partner more affordable for Mozambicans. Real growth in GDP was over 6%. Budgetary reliance on foreign donors dropped from 64% in 1994 to 48% in 1996, and the share of the recurrent budget for defense and security fell from 60% in 1994 to a planned 37% for 1997, while expenditures for health and education rose from 14 to 25%.

At the same time, Mozambique deepened its market economy. The largest government bank and several major companies (mills and breweries) were privatized, an improved tariff schedule was introduced, and export revenues from key agricultural commodities increased considerably. In 1996, overall exports and investment both increased approximately 25% in real terms. By number, Mozambique can claim half of the successful privatizations in Africa through 1996.

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improve the enabling environment for private sector and community initiative, and to strengthen the capacity of national and local groups to collaboratively identify and implement solutions to development problems.

Democratic principles became more firmly rooted in Mozambique during 1996, as **peace continued and security improved**. Under the nascent functioning multi-party system, the independent media kept a close eye on political and economic developments. Voluntary associations of citizens -- for economic, political, and social purposes -- continued to increase geometrically. Key political institutions, particularly the National Assembly, played more prominent roles. The new assertiveness of the business community in both political and economic debates was a particularly welcome advance. These factors bode well for Mozambique's continued progress in post-transition crisis prevention.

Macro-economic stability and growth, continued peace and security, and good weather brought **improved food security** for both rural and urban Mozambicans. The 29% increase in corn production (and similar, though smaller, increases in other crops) led to high levels of food reserves for rural households and stabilized supplies -- and therefore prices -- of staples in consumer markets throughout the country and the year. Mozambique's market-based food security improved even as P.L. 480 Title III commercial food aid corn imports, which only three years ago were crucial in preventing widespread hunger here, ended;<sup>3</sup> and as Title II emergency food aid also dropped. Monthly recipients of emergency food aid averaged only 154,000 nationwide in 1996, compared to 500,000 in 1995 and 1,100,000 in 1994. While improved availability of food resulted in declining rates of malnutrition throughout the country in 1996, the majority of Mozambicans still remain desperately poor, and the problem of food access continues for these vulnerable households.

During this first year of USAID/Mozambique's Country Strategic Plan 1996-2001 (CSP), the Mission dedicated enormous effort to the strategic realignment of activities and partners **away from emergency relief to more long-term development objectives**. PVO partners substantially changed their own programs to more fully support the Mission's objectives. Because they now undergo a more rigorous and competitive proposal review and performance monitoring process, PVOs have become more effective partners to the Mission. The Mission's own structures -- team and office configurations and relations -- were also modified to reflect CSP priorities.

## **Part Two: Progress toward Objectives**

The long-term goal of USAID/Mozambique's CSP is: Broadened participation in political life and economic growth. By 2001 the Mission expects to achieve three strategic objectives (SOs) through a combination of direct assistance, policy dialogue, and collaboration with government and non-governmental partners and other donors.

In order to maximize impact, the Mission selected a geographic focus area in the center-north of the country (comprising Nampula and Zambezia provinces, northern districts of Manica and

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<sup>3</sup>Title III wheat and vegetable oil imports continue to support development objectives.

Sofala provinces, and Mutarara district of Tete province), which covers about 35% of Mozambique's territory and about 51% of its population. Niassa and Gaza provinces are additional focus areas for SO3 only (see below). Within this vast area, some results will be achieved only in targeted areas, i.e., those areas in which specific USAID-funded partners have activities underway. Other results will be achieved across the entire focus area. Finally, some results -- in particular SO2, policy reforms under all three SOs, and HIV/AIDS prevention under SO3 -- will be national in impact.

Detailed performance monitoring systems, developed in collaboration with implementing partners, are in place for the CSP; however, baseline data (and therefore final performance targets) were not available for any of the strategic objective indicators in 1996. This is a reflection of the absence in Mozambique of even the most basic socio-economic data, due to war-related constraints and political interests during much of the country's post-independence period. The Mission has thus been obliged to invest in costly and logistically difficult surveys in order to ensure rigorous measurement of CSP results. While 1996 progress was assessed based on provisional data, baselines for all performance indicators will be completed in 1997.

### **Strategic Objective One: Increased rural household income in targeted areas**

The strategy to increase rural household income builds on Mozambique's successful transition from relief to development,<sup>4</sup> and will contribute to enhanced national food security as well as to post-transition stability and economic growth. These achievements support Africa Bureau regional priorities of conflict prevention, food security, and economic liberalization. SO1 will be achieved through intermediate results to improve market access, expand rural enterprises, and increase sustainable agricultural output. This SO and its intermediate results contribute directly to the Agency's Strategic Objective 1, "Broad-based economic growth achieved," through "1.1: Strengthened markets" and "1.2: Expanded access and opportunity for the poor." Approximately 30% of SO1 resources contribute directly to the Agency's Strategic Objective 4, "Environment managed for long-term sustainability," through "4.1: Biological diversity conserved" and "4.5: Sustainable natural resource management."

SO1's economic growth funding is complemented by P.L. 480 Title II development and Title III non-project assistance resources. In addition, the SO actively collaborates with ongoing and planned special initiatives, including the Initiative for Southern Africa (ISA), Southern Africa Enterprise Development Fund (SAEDF), Cross-Border Trade, Non-Traditional Agricultural Exports (NTAE), the Leland Initiative, the SADC Transport Efficiency Project (STEP), International Agricultural Research Centers (IARC) Regional Network Support, the Africa Food

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<sup>4</sup>USAID/Mozambique's FY 1995 Results Review (March 1996) and FY 1993-94 Assessment of Program Impact (February 1995) document this transition.



Security Initiative (AFSI), the Famine Early Warning System (FEWS), and the Sustainable Financing Initiative (SFI).

### **A. Performance Analysis**

SO1 progress during FY 1996 exceeded expectations, especially with regard to private sector growth and policy performance. Rural households, including those living in the CSP focus area, made a large step toward recovery. This was the first year -- after 16 years of war and three of war-to-peace transition -- that the vast majority of rural households had re-established themselves and were able to produce a crop or engage in other economic activities. Yet these households remain terribly poor: income is estimated to be about \$250 per year<sup>5</sup> in the areas targeted by SO1, and female-headed households<sup>6</sup> on average earn only about half that amount.

Approximately 62% of the total income figure is the estimated market value of food grown and consumed by the family, 23% derives from the sale of agricultural produce, 8% from non-farm micro-enterprise activities (see below), and 7% from wages. Rural households that depend proportionally more upon wages and non-farm enterprises tend to have lower incomes. These figures, while provisional, reflect a household income base which is extremely low and highly dependent on agriculture for both food and cash. Positive achievements during 1996, in all three of SO1's intermediate results, demonstrate early progress toward the overall income increases which will be documented through field studies in FY 1998 and 2000.

#### ***Policy Reforms Catalyze Markets***

##### ***Accomplishments:***

- < *Liberalized petroleum imports and most of the retail market*
- < *Deregulated road transport so that it is now dominated by the private sector*
- < *Established a system to ensure road maintenance by a sustainable road fund*
- < *Removed government monopoly on coastal shipping*
- < *Privatized the dominant state bank, with the smaller one in process of privatization*

##### ***Commitments:***

- < *Elimination of minimum producer prices by 1998*
- < *Reform of the agricultural marketing parastatal*
- < *Privatization of government road construction enterprises*
- < *Passage of land law and regulations that protect communities, investors, and resources*

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<sup>5</sup>SO1 baseline data, collected in 1996, will be available in June 1997. Until then, provisional estimates are based on 1995 data from rural areas in northern Mozambique. (Survey by Michigan State University (MSU) with USAID funding.)

<sup>6</sup>Only 2% of those sampled in the limited 1995 survey were female headed, but in more southern parts of the focus area the proportion may be closer to 15%.

There were strong price and supply signs that the market on which rural households depend -- largely driven by the informal sector -- became better integrated and better at disseminating information and products over long distances. These improvements were due in part to USAID-assisted reforms by the Government of Mozambique (GRM) which have established an economic policy environment and political climate in which the Mozambican people can confidently pursue productive activities. During the strategy period the Mission will work with the GRM to deepen these policy successes. In addition to the improved policy environment, specific SO1-funded activities have helped rural households to take advantage of new opportunities.

**Improved market access** was documented across the focus area, where overall cereals production and marketing increased 22% in 1996. One SO1 partner, World Vision (WV), reported increases in both volumes and diversity of products marketed by households. For example, the average number of crops marketed by households doubled from 1995 to 1996 in five districts, indicating new access to markets for higher-value commodities. Another partner, the Cooperative League of the U.S.A. (CLUSA), assisted 25 groups of smallholder farmers to organize to market their surpluses, over 1,000 metric tons total, to commercial buyers. This brought the members prices that were 22-93% higher than those received by individual producers in the same districts, resulting in about \$120,000 of additional household income to these families.

Producer prices fell in real terms from their levels of 1995 for all basic foodstuffs. Nearly all rural households also purchase food and basic consumer goods, so the price stability and improved availability of key commodities in rural markets throughout 1996 benefited most rural households. Even greater benefits would have accrued had the government not interfered in the marketplace -- a key topic of USAID-GRM policy dialogue. At the beginning of the planting season in late 1995, the GRM set a minimum producer price for corn well above what the market could support after the very good harvest in mid-1996. Major traders hesitated to risk sanctions for buying under the minimum price, and some officials tried to enforce it. The resulting confusion limited early buying and reduced the surplus that Mozambique was able to market internationally. Eventually market forces, and a belated declaration by the Prime Minister that minimum prices were only "reference" prices, resolved the block.

Perhaps the most telling evidence of improved market access overall was the increase in exports of crops produced by a large proportion of households in the focus area. USAID's SADC Transport Efficiency Project, managed by the Mission, is relieving constraints to regional trade expansion (an Africa Bureau priority). Targeted assistance provided by USAID in 1996 introduced U.S. grain corporations and agribusinesses to Mozambique, and will contribute to future exports and bring additional benefits to rural households.

| <i>Exports of Key Crops (tons)</i> |             |             |                   |
|------------------------------------|-------------|-------------|-------------------|
| <i>Crop</i>                        | <i>1995</i> | <i>1996</i> | <i>% Increase</i> |
| <i>Cotton</i>                      | 48,300      | 52,000      | 8                 |
| <i>Cashew</i>                      | 38,000      | 66,500      | 75                |
| <i>Corn</i>                        | 0           | 21,500      | NA                |
| Source: GRM                        |             |             |                   |

As noted above, sales of agricultural produce are the most important source of cash income; yet about two-thirds of households also obtain cash from non-farm enterprises which provide goods and services in high demand in rural areas:

Rural Household Income from Non-Farm Activities<sup>7</sup>

| Contribution to income<br>for practicing households<br>(US\$) | Economic activity      | Percentage of surveyed<br>households engaged |
|---|------------------------|--|
| 40.24   | Trade/small commerce   | 14.5   |
| 30.26   |                        | 4.2  |
| 18.93   | Carpentry              | 9.2  |
| 16.37   | Other                  | 5.6  |
| 11.47   | (mills/mason/tinsmith) | 38.7   |
| 8.23  | Tailor                 | 20.7   |
| 6.82  | Mfr of beverages       | 3.5  |
| 5.46  | Artisanry              | 3.4  |
|   | Traditional healer     |  |
|   | Basket/mat weaver      |  |

Source: MSU

Increases in non-farm income from **expanded rural enterprises** have been documented by USAID partners during 1996, both through individual (household) enterprises and through associations. In most cases, these are first-year reports of start-up and pilot activities from which increasingly significant results on a larger scale are anticipated in succeeding years.

- \* WV helped members (32% of them women) of 111 farmers associations in targeted areas improve entrepreneurial skills and generate income -- by marketing raw agricultural products (mostly cereals) and goods they processed (corn or cassava flour, dried fish, bread), or through carpentry or livestock enterprises.

- \* In Food for the Hungry International (FHI) target areas devastated by war and drought, members of 44 associations started high-return household enterprises and earned income from edible oil production, livestock, and agricultural input supply.

| <i>Household Enterprises Created</i> |                    |                |
|--------------------------------------|--------------------|----------------|
| <i>Agency</i>                        | <i>#Households</i> | <i>Returns</i> |
| <i>WV</i>                            | <i>1,491</i>       | <i>\$ 85</i>   |
| <i>FHI</i>                           | <i>834</i>         | <i>\$ 53</i>   |
| <i>CLUSA</i>                         | <i>1,684</i>       | <i>\$ 62</i>   |
| <i>CARE</i>                          | <i>84</i>          | <i>\$346</i>   |

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<sup>7</sup>Data from 1995 micro- and small enterprise survey in 3 districts of Nampula province; similar data for the whole focus area, collected in late 1996, will be available in June 1997.

- \* The 48 rural group enterprises (of which 14 are women's groups) with which CLUSA works have undertaken not only marketing activities but a range of seasonal and year-round enterprises (selling consumer goods, agricultural tools, inputs for growing cotton; and processing agricultural produce). 25 of them successfully marketed a total of over 1,000 tons of produce.
- \* Between 1995 and 1996 CARE's pilot activity for pressing vegetable oil from sunflower and sesame seed sold 84 hand presses to new household micro-enterprises; all are fully paid for and continuously operating. CARE provided advice on operating and maintaining the press, packaging the oil, identifying markets, and running the businesses to account for real costs. The returns to participating households were about triple Mozambique's per capita GDP.

| <i><b>Agricultural Output Increases Income</b></i> |                           |                             |                            |
|--|---------------------------|-----------------------------|----------------------------|
| <i>Agency</i>                                      | <i>Technology Adopted</i> | <i>Number of Households</i> | <i>Value per Household</i> |
| <i>FHI</i>   | <i>Imp. practices</i>     | 9,885                       | \$ 86                      |
| <i>CARE</i>  | <i>Oilseeds</i>           | 2,125                       | \$ 18                      |
| <i>WV</i>  | <i>Imp. corn seed</i>     | 84,200                      | \$ 33                      |
| <i>Private sector</i>                              | <i>Imp. cashew</i>        | 161,000                     | \$ 15*                     |

\*Projected after trees reach maturity

The effects of non-farm enterprises on household income can be significant, and nearly all of these -- as well as the market opportunities described above -- either depend upon or support **sustainably increased agricultural output**. During 1996, SO1 partners found that a growing number of households made important changes in their agricultural practices and that yields -- upon which rural household

income depends -- increased.

For example, 72% of FHI-assisted farmers used organic fertilizer for their 1996 crops (compared to 42% in 1995), and only 16% burned their fields before planting (compared to 70% in 1995; this important change reduces environmental damage). These farmers saw yield increases of 76% for corn, 102% for cowpea, and 260% for groundnut; and the increased yields are estimated to have added about \$86 to each participating household's income. In other areas farmers diversified into higher-value crops: where CARE promoted oilseed press enterprises and provided complementary advice on oilseed production, over 70 tons of oilseeds were produced, of which 45 tons were processed by household-owned hand presses and 25 tons sold to an industrial oil refinery.

A key factor in ensuring sustainable output increases is land tenure security for rural households. Progress made on a revised land law and implementing regulations (see below), and secure titles obtained in 1996 for smallholders in some areas of dispute, reduced the need for opening new fields in forested areas and increased incentives for farmers to control erosion and maintain soil quality on their fields. These and other steps in **natural resource management** are integral to SO1's income-increasing strategy.

## **B. Expected Progress through FY 1999 and Management Actions**

SO1 seeks to increase average rural household income by 6% per year within the focus area, and by 10% in districts targeted for direct assistance through road rehabilitation and partner activities in market access, enterprise development, and sustainable agricultural output.

The largest share of SO1 resources will improve market efficiency through reduced transport costs; increased and less expensive marketing credit through commercial channels; and overall reduction in the costs of doing business in Mozambique. The increases in marketed agricultural output will immediately increase household income. To assist families to profitably invest a share of their increased income, SO1 partners will transfer business skills and continue to provide technologies to increase and sustain agricultural output. The synergy of finance, entrepreneurial know-how, and improved technologies will have a direct positive impact on the volume and quality of marketed goods and related enterprises, and thus on rural household incomes. P.L. 480 Title II resources and complementary SO1 funding will enable PVO partners to assist this process.

Reduced transport costs will be achieved through the USAID-funded **road rehabilitation** -- and effective post-rehabilitation maintenance -- of approximately 2,000 km in the focus area. The most important segment, 200 km of the north-south trunk road, will establish an all-weather link from producers in the SO1 focus area to markets in central and southern Mozambique and feed into complementary rehabilitation work being financed by other donors. North-south traffic will increase several-fold from 1996 levels, with a larger truck fleet based in the focus area; these factors will increase competition and contribute to reduced transport costs and increased income for rural producers. Other roads to be rehabilitated are secondary and tertiary roads linking agricultural production areas to major markets and ports within the focus area.

SO1 is taking a proactive approach to **environmental monitoring and mitigation** for all road rehabilitation work. In particular, on routes near protected areas such as the Gorongosa National Park and its buffer zone, innovative support is planned for sustainable community management of forested eco-systems and for development of environmental enterprises which will increase household incomes in these areas without sacrificing protected resources.

In **economic policy reform**, USAID will concentrate on four areas:

- \* Reducing the costs of doing business or investing in Mozambique, by (i) streamlining or eliminating the licensing and registration of traders, transporters, exporters, agro-processors, and foreign investors, and (ii) supporting, in collaboration with SO2, Mozambican efforts to establish an Alternative Dispute Resolution system<sup>8</sup> to enforce

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<sup>8</sup>This system, being developed collaboratively by the business community, key National Assembly deputies, and Justices of the Supreme Court, will establish an arbitration process which all parties to commercial contracts may agree to use as an alternative to the over-burdened court system.

contracts (SO1 will also support a private sector initiative to streamline business and investment regulations and rewrite the commercial code);

- \* Ensuring that banking and financial regulations support responsible micro-finance schemes, with a simplified level of regulation;
- \* Pressing for approval and implementation of a new land law that encourages long-term investment, protects individuals' customary use rights, and rewards environmentally responsible use; and
- \* Ending government intervention in cereals marketing.

In another example of SO1-SO2 synergy, expected new legislation and regulations relating to the creation and operation of associations and rural financial institutions will support the rapid and sustainable **development of micro- and small enterprises**. Sustainable rural enterprise growth depends on savings mobilization as rural incomes increase (micro-credit programs in Mozambique have previously been unsustainably dependent on foreign exchange). Legislation expected by 1998 will permit credit unions, rural banks, and other semi-formal financial institutions to operate with reasonable flexibility. With this legislation in place, member-owned cooperative savings and loan associations will emerge in areas assisted by SO1 partners, supporting the expansion of rural enterprises and marketing activities. In targeted areas during 1998-99, CLUSA will continue extension of management and business advisory services to rural group enterprises, assisting 160 associations in Nampula and 30 in Zambezia province to market a total of 4,000 tons of agricultural commodities annually, generating over \$600,000 and resulting in an expected \$53 of additional annual income for each of 11,400 households. CLUSA estimates that half of these 190 associations will open bank accounts during 1998-99, and that a viable savings and credit system will begin to finance group enterprises in marketing, storage, and small processing during this period.

Activities in support of **increased sustainable agricultural output** will emphasize cashew production, among other crops, during FY 1997-99. In much of the SO1 focus area cashew is a lucrative source of cash income for rural households,<sup>9</sup> important to stabilizing the natural resource base, and contributing significantly to Mozambique's export earnings. With P.L. 480 Title II funding and associated SO1 resources, three PVO partners, WV, SCF, and the Adventist Development and Relief Agency (ADRA), will work with private cashew processors/exporters and rural households to boost production and improve quality. Under the **Africa Food Security Initiative**, the Mission will assist in the establishment of an endowment fund to ensure sustainable provision of cashew extension services, such as improved tree varieties and improved cultivation practices, to rural households.

Oilseeds are another important crop that will receive priority attention, primarily under the P.L. 480 Title II Development Assistance Programs (DAPs). Four DAP partners are working with oilseed hand press micro-enterprises within the focus area, expanding this profitable (and nutrition-improving) technology. CARE anticipates that in 1998-99 it will assist 320 households

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<sup>9</sup>20 well-maintained cashew trees in full production can produce \$80-120 income annually.

to acquire oilseed hand presses with DAP assistance, while Africare expects to assist 115, FHI 40, and WV 100 more. There is no other equivalent technology available in Mozambique which can offer the returns to investment and increases in household income that these oil presses have delivered to date.

WV estimates that in FY 1998-99 the average number of crops sold by households in its target areas will increase 25% annually, with a 15% increase in both the number of households selling vegetables and fruits and those selling even higher-value crops such as garlic and Irish potatoes. At the same time, WV expects target area corn yields to increase by 15% and rice by 10% by 1999. FHI estimates a 15% increase in households' adopting improved storage techniques will lead to a reduction in grain storage loss of about 5% per year in 1997-98; combined with an expected 15% increase in yields over this period, this will bring households an additional two months of grain reserves or surpluses to sell.

The Mission is currently formulating an **environment strategy** to support SO1 by: addressing key Mozambican institutional and policy development needs; capitalizing on opportunities within the SO1 focus area to pursue sustainable resource use; and responding to the Agency's programmatic emphasis on environmental protection. In particular, the environment strategy will guide innovative SO1 activities (implemented by partner PVOs) in community management of natural resources, thereby strengthening Mozambican NGOs and community-based organizations. In FY 1998, as NGOs play a greater role, SO1 activities will augment their capacity to implement aspects of Mozambique's National Environment Management Program.

Development assistance funding levels for SO1 over FY 1996-97 were only slightly more than 60% of those planned in the CSP, due to overall budget reductions and increased earmarks. Approximately 30% of these funds carried environmental earmarks. While these are funding activities making important contributions to increased sustainable agricultural output, the earmarks have obliged SO1 to direct proportionally more funding than planned into this area. Although overall development assistance funding was more limited than expected, the Mission benefited from an increase in Title II development funds by 50% over planned levels. These funding levels have enabled the Mission to avoid fundamental reductions in the SO1 targets, but have reduced the number of rural households that can be directly reached by SO1 activities in the focus area. The population targeted for direct assistance will increase by about 56% from FY 1996 to FY 1999, from 1.8 million to 3.2 million people, out of a total focus area population of about 7 million. Nonetheless, SO1-supported policy reform activities will benefit virtually everyone within the country (producers, consumers, and traders/transporters).

SO1 Funding (U.S.\$000)

| <b>All Funding Sources*</b> | <b>Planned CSP 96-97</b> | <b>Actual 96-97</b> | <b>Difference</b> |
|-----------------------------|--------------------------|---------------------|-------------------|
| IR 1-1: Market access       | \$ 56,584                | \$ 24,451           | -32,133.00        |

|   |           |           |            |
|---|-----------|-----------|------------|
| IR 1-2: Expanded enterprises            | \$ 13,765 | \$ 11,106 | -2,659.00  |
| IR 1-3: Sustainable agricultural output | \$ 14,781 | \$ 17,472 | 2,691.00   |
| SO1 Total                               | 85,130.00 | 53,029.00 | -32,101.00 |

\*Not including FY 1996 Emergency Program

One of the Mission's greatest regrets is the reduction after FY 1996 in our policy reform-based non-project assistance, which has provided commodity import support (CIP) for the private sector and leveraged key market liberalizations. Without funding for the CIP, the Mission's policy agenda will now be pursued through the P.L. 480 Title III program, conditionality in program agreements, policy dialogue, and special studies. Expected funding under the Africa Food Security Initiative will be used to support road rehabilitation, sustainable cashew development, and policy studies.



### C. Performance Data Table

|  |                       |                     |  |
|--|-----------------------|---------------------|--|
| <b>STRATEGIC OBJECTIVE 1:</b> Increased rural household income in targeted areas   |                       |                     |  |
| <b>APPROVED:</b> 01/Oct/1995 <b>COUNTRY/ORGANIZATION:</b> USAID/Mozambique   |                       |                     |  |
| <b>RESULT NAME:</b> (same as Strategic Objective)  |                       |                     |  |
| <b>INDICATOR:</b> Average rural household income   |                       |                     |  |
| <b>UNIT OF MEASURE:</b> U.S. Dollar equivalent<br><b>SOURCE:</b> MSU/MinAgr Rural Household Surveys, 1996B, 1998, 2000<br><b>INDICATOR DESCRIPTION:</b> Mean income of all rural households (c) and female-headed households (f). "Household income" includes market value of farm production for own consumption as well as cash income from diverse sources.<br><b>COMMENTS:</b> The provisional baseline (B) and targets (T) shown are based on limited-sample 1995 data from a portion of the focus area. Actual 1996 baseline data will be available in mid-1997. Targets will be adjusted at that time.<br><br>Households in the highest income quartile have on average more persons per household. Female-headed households have on average fewer.<br><br>Breakdown of mean household income shares for 1995 data:<br>\$148 or 62%    Production for own consumption<br>\$ 54 or 23%    Cash sales of agricultural produce<br>\$ 19 or 8%    Micro-enterprise activities<br>\$ 17 or 7%    Other (wages and remittances) | <b>YE<br/>A<br/>R</b> | <b>PLANNE<br/>D</b> | <b>ACTUAL</b>                                  |
|  | 1995                  |                     | c - 238<br>f - 127                             |
|  | 1996<br>B             |                     | provisional<br>estimate:<br>c - 252<br>f - 135 |
|  | 1997<br>T             | c - 267<br>f - 143  |  |
|  | 1998<br>T             | c - 283<br>f - 152  |  |
|  | 1999<br>T             | c - 300<br>f - 161  |  |
|  |                       |                     |  |
|  |                       |                     |  |

### Strategic Objective Two: Government and civil society are effective partners in democratic governance at national and local levels

This objective recognizes that the sustainability of democracy -- essential for economic growth -- depends upon balance in the governance equation: between government and civil society, between national and local levels, and among the three branches of government. Achievement of

this objective, therefore, will contribute directly to the Agency goal of "sustainable democracies built" as well as the larger foreign policy objectives of peace, stability, and expanding markets for U.S. exports throughout southern Africa. USAID will foster the government-civil society partnership through activities leading to three intermediate results: Key democratic macro-political reforms implemented; increased citizen participation in governance at national and local levels; and government and civil society institutions effective and accountable at national and local levels.

## A. Performance Analysis

Progress in FY 1996 exceeded the Mission's expectations. Due to USAID efforts, the balance between democratic institutions improved as citizen participation increased and key institutions within government and civil society became more effective. These improvements were

documented both internally and by outside observers: The 1996 U.S. State Department Human Rights Report noted a general improvement, the Freedom House Index remained constant, and the Mozambican media's own end-of-year assessment highlighted achievements in democracy and governance.<sup>10</sup>

### ***Cross-SO Synergy***

*A key SO2 characteristic is its synergy with other Mission SOs. One example is the development of a new land law, which is of vital interest to both SO1 and SO2 because:*

*\* Land tenure security promotes both investment and sound environmental management, and thus increases income; and*

*\* Legitimate processes for allocating resources -- especially land in this agriculture-based economy -- will foster a more balanced government-civil society partnership.*

*Both SO1 and SO2 have contributed to this still-unfinished process:*

*SO1 by providing policy-oriented research results and technical assistance to the Land Commission (through LTC); and*

*SO2 by helping NGOs to advocate for members' interests (through AAI), and the AR to hold public hearings and thoroughly analyze the draft legislation (through SUNY).*

*Both the SO1 and SO3 results frameworks emphasize the private sector, decentralized decision making, and the role of community-based organizations -- all of which are key to achieving a more effective partnership between the public and private sectors in democratic governance.*

The main performance indicator for SO2 is the perceptions of influence on public decisions by political actors (i.e., citizens over 18 years of age). While the SO2 team estimates that the percentage of citizens who currently perceive they have such influence is virtually nil (one percent at the national level and zero at the local level), baseline data for this indicator will be collected through a public opinion

<sup>10</sup>See reporting cable MAPUTO 00559, February 1997.

survey completed in FY 1997.<sup>11</sup> Nevertheless, a number of developments and events at both national and local levels, directly related to SO2 intermediate results, indicated a more balanced partnership between government and civil society during 1996.

A good example at the national level was the participatory development of a proposed new land law. In contrast to the old process of enacting legislation without broad consultation, the government's **preparation of the new land law was affected at every stage by the advocacy of civil society** (including NGOs assisted by SO2). The participation of a range of economic and political interests in a National Land Commission (informed and assisted by the University of Wisconsin's Land Tenure Center, LTC, with SO1 funding), as well as the close critical commentary of the independent media were also key to the process. SO2-funded assistance from the State University of New York (SUNY) helped the responsible National Assembly (AR) committee to (1) hold a public hearing, a first for this fledgling multi-party institution, and (2) conduct an in-depth study of the draft bill. Views expressed during the public hearing, as well as those conveyed in subsequent correspondence from citizens and civil society groups to the AR, were incorporated in the draft bill, **providing a concrete example to citizens of their ability to influence public decisions.** In anticipation of final passage of the law (pending AR debate), SO2 has provided funding for LTC to assist the government's preparation -- with continued public input -- of implementing regulations.

In Mozambique, an important mechanism for broader-based input

#### ***A Successful Petition***

*Following a June NDI workshop on petition writing, an NGO assisted a local association of smallholder farmers -- anxious to protect their land use rights -- to draft a petition requesting formal titles to their land. Although titles are not required for smallholders to use the land, they can be the crucial proof of use rights in cases of land dispute. Five hundred people signed the petition, which was sent to the district administrator and the governor of the province. When the petition was subsequently raised during a citizen forum in September, AR deputies promised to look into the issue. In mid-October a Maputo weekly published the petition, drawing further attention to it. By the end of October the provincial director of agriculture confirmed that association members would receive their titles. Although actual issuance of the titles may take many more months, this promise was **a breakthrough achievement for the citizens involved and a clear indication of growing government responsiveness to civil society.***

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<sup>11</sup>The SO2 performance monitoring system has been designed and most baselines established; however, baselines and targets for several indicators measuring public perceptions must still be set. While this type of indicator is common in the democracy and governance sector, its use can complicate performance monitoring. Here, the SO2 team concluded that the best way to determine if government and civil society are effective partners would be to ask the people themselves by means of a nationwide public opinion survey. Preparations for such a survey were halted in mid-1996 when -- sensitive to the phrasing of some of the questions to be asked -- the government withheld concurrence. The SO2 team investigated alternatives, such as focus groups, for establishing a baseline for indicators of public perceptions, but found them inadequate. USAID has now reached agreement with the GRM to conduct a more focused survey, to be implemented by a Mozambican institution (rather than a U.S. polling firm).

into public decisions is the public petition, whereby an individual or group may formally appeal to government (any branch, any level) and a response is required by law. An increased use of petitions will indicate that citizens are learning how to make their interests heard and are growing confident of receiving a response. In 1996, the National Democratic Institute (NDI) trained local civic organizations to prepare and submit petitions, while SUNY concurrently helped the AR develop procedures to respond effectively to them.

Mozambique's decentralization effort is another example of increased public participation in democratic governance in 1996. SO2 supported a nearly year-long process of research, consultation, and discussion concerning the devolution of authority and resources, which involved stakeholders from district, provincial, and national levels of government and civil society.<sup>12</sup> The culminating national conference brought provincial representatives to Maputo to share their perspectives on decentralization policy with each other and with national-level stakeholders. The result was visible participation in the policy making process by non-governmental stakeholders, particularly those from outside the power center of the national capital. Draft legislation submitted to the AR in 1997 is expected to reflect this range of stakeholder perspectives.

The AR's increased role and improved capability are clear to other observers and indicate its growing effectiveness. The 1996 U.S. State Department Human Rights Report for Mozambique states that, "Although the opposition parties are in a minority status in the Assembly and lacked any previous legislative experience, the two 1996 parliamentary sessions were marked by an improvement in both the overall quality of debate as well as the effectiveness of individual deputies from all parties." USAID's contributions were key to these improvements in the legislature.

Within the Mission's focus area there was also evidence in 1996 of increased citizen perception of influence on public decisions. First, USAID-funded NDI sponsored a series of "citizen forums" which provided historic opportunities for representatives of civil society organizations, as well as individual citizens, to ask questions and discuss issues with some of the AR deputies representing their provinces. **Never before had the "man on the street" had an opportunity to interact face-to-face with his elected representatives.** While it is difficult to definitively gauge the impact of such exchanges on the public's perception of their "influence," many of the issues mentioned at all the forums -- deteriorated rural infrastructure, poor access to markets for agricultural crops, crime, and police human rights abuses -- were subsequently raised by the

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<sup>12</sup>USAID assistance, provided under the Global Bureau's Implementing Policy Change project, brought together representatives from the Ministry of State Administration, the AR, municipal councils, a wide variety of civil society organizations (including business associations, human rights groups, and advocacy groups), the media, the university, bilateral and multilateral donors, and individuals from districts of three provinces in USAID's focus area.

deputies themselves in the AR's semi-annual Question-and-Answer session with Executive Branch representatives.<sup>13</sup>

While it is not possible to attribute subsequent Executive Branch actions to a single specific event such as this session, the dismissal of the Minister of the Interior (who oversees the national police force) in late 1996 was enthusiastically welcomed by citizens throughout the country. In the first months of 1997 the crime wave palpably abated, and for the first time in memory police

officers were convicted and sentenced to prison for the torture and subsequent death of a suspect in their custody.

Citizens must have a basic understanding of a multi-party democratic system in order to become effective civil society partners to government. Throughout 1996 NDI's SO2-funded civic education program in the focus area worked with citizens on topics such as function and responsibility of government, concepts of democracy, and democratic mechanisms. Before-and-after focus groups documented changes in their knowledge and attitudes during the year, but also showed the poor level of

### ***The Civic Education Challenge***

*Focus groups were conducted in sites where NDI's SO2-funded civic education took place, as well as in control sites, as a means of assessing impact. Selected findings include:*

- \* Role of AR deputies -- Where civic education had taken place, "We elected the deputies. It is the deputies who take our problems to the Assembly. They do public work." In the control sites, "We have heard of them, [but] we don't know what they do."*
- \* The multi-party system -- Before civic education this was either poorly understood or seen as a "bad thing." Afterward, in urban areas there was consensus that "the multi-party system is good." Rural groups typically discussed pros and cons and then also concluded that it was good. In the rural control site, the multi-party system was rejected by all group members.*
- \* Public petitions -- Where civic education occurred, all focus groups understood the system of public petitions; one urban group even told of using petitions successfully. No one in control sites knew of petitions or thought they were useful.*
- \* Citizen forums -- In areas of civic education activities, citizens forums were known and listened to via provincial radio broadcasts. In control sites, the forums were not known; while in one the focus group members strongly supported the idea, in the other they did not think it possible for people to question the deputies. In fact, this group voiced disbelief that deputies from different parties could even sit peacefully at the same table together!*

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<sup>13</sup>A more thorough discussion of the citizen forums and the AR public hearing can be found in reporting cable MAPUTO 04847, November 1996.

overall understanding of democratic principles.<sup>14</sup>

**NGO advocacy skills** -- to influence government decision making on behalf of the communities they serve -- were strengthened in 1996 through another SO2 partner, the African-American Institute (AAI). AAI workshops in the focus area provided an opportunity for local and national organizations to speak out about their concerns and voice their suggestions. The most visible example in 1996 was the public campaign, spearheaded by the League of Human Rights and a journalists cooperative, which led to the removal of the Minister of the Interior. Another example is the continuing advocacy of the Mozambican Foundation for Community Development for an improved legal and regulatory environment in which NGOs can thrive -- a critical factor in fostering a vibrant civil society.

The Mission also used **policy dialogue** to achieve results in the democracy and governance sector. A notable example was the U.S.-led emphasis during Mozambique's 1996 Consultative Group meeting on combating government corruption. This initiative led to the GRM's late 1996 submission to the AR of draft legislation to address corruption, including a bill creating an autonomous "higher authority against corruption."<sup>15</sup> Another example of successful policy dialogue and donor coordination is the government-donor "Aid for Democracy" working group. Although this group is officially chaired by the United Nations Development Program (UNDP), USAID and the U.S. Embassy together took the lead in this forum in encouraging the GRM to move ahead with legislation required for the creation of local governments and holding of local elections in 1997.

## **B. Expected Progress through FY 1999 and Management Actions**

Based on FY 1996 performance, overall trends in the sector, ongoing programs, and plans for new activities focused increasingly on district-level target areas, the SO2 team is confident that the "partnership" aspect of the SO will be achieved by the end of the CSP period. The team recognizes, however, that increased attention must be given to the institutional "effectiveness" aspect of the SO, and thus may modify or add activities to address this increasingly important challenge.

Mozambique's democratic transition during FY 1996 progressed to the point where attention is now turning from the establishment of multi-party democracy to the longer-term -- and arguably more important or even, from the perspective of sustainability, essential -- challenge of

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<sup>14</sup>SO2 has subsequently selected one of the control sites, Mutarara -- deeply affected and long isolated by Mozambique's 16-year civil war -- as a district-level target area, due to the lack of understanding of democracy evidenced in the focus groups there.

<sup>15</sup>With SUNY technical assistance the AR analyzed the draft bills and then sent them back to the government for revision and resubmission. USAID has offered to assist the GRM to establish the "higher authority" beginning in 1997.

democratic governance. Perhaps the Economist summed up the concept best in a recent cover article: "The challenge is to make both governments and markets more efficient." This theme was also the crux of a March 1996 workshop sponsored by USAID/Senegal, "Governance and the Economy in Africa: Tools for Analysis and Reform of Corruption."<sup>16</sup> The **nexus between development and governance** (including the aspect of corruption), as well as the impact of the quality of a country's institutions upon both, were underscored:

"There is good reason to believe that the difference between poor countries and rich countries has less to do with the existence of factors of production -- land, capital, and labor -- or even of technology, than with the institutions that affect their deployment."<sup>17</sup>

Improvement in the quality of public services provided by government and civil society institutions will be an increasing SO2 emphasis during FY 1997-99. Activities are planned to strengthen key institutions in the Executive and Judicial

#### ***Impact of Institutional Failure***

*Institutional failure is beginning to stifle small-scale private initiative in Mozambique. Under SO1, CLUSA works with rural associations in areas where social and political differences long led to bitter and violent divisions. In less than a year, CLUSA has fostered the emergence of 34 farmers associations and 14 small associations of women, with a total of about 1,700 members. However, due to bureaucratic complexities and systemic inefficiencies, only one of these is registered as a legal entity. Without official status, it is difficult for groups to open bank accounts or obtain credit; contract enforcement also becomes problematic if the association has no legal existence. Until the requirements and the processes are streamlined and the enabling environment improved -- through changes which both SO1 and SO2 are supporting -- the growth of associations will be stymied, with negative effects on economic growth as well as on democratic governance. The Mission's comprehensive top-down, bottom-up approach to this challenge is a fundamental precept of the New Partnerships Initiative.*

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<sup>16</sup>And the book of the same title, published in 1996 by the Center for Institutional Reform and the Informal Sector (IRIS) at the University of Maryland at College Park.

<sup>17</sup>Robert Klitgaard discusses the emerging development paradigm which follows from this statement: "Development strategies are shifting from policy reform to institutional reform. As we learn that economic policy reforms aren't enough for economic success, that multi-party democracy is not enough for political success, that better laws aren't enough for better justice, we focus on the institutions through which economic, political, and legal activity are carried out and mediated. If the past fifteen years were notable for macroeconomic and macropolitical reforms, the next fifteen years will be the era of *institutional adjustment*." Klitgaard continues, "The new wave of democratically elected governments in the developing world is recognizing that **neither free markets nor multi-party democracies will succeed if the institutions of the private sector and public sector are riddled with institutional failure.**"

Branches of government, complementing our continuing efforts involving the Legislative Branch and civil society. These new activities include both targeted assistance at central level as well as activities to strengthen local-level governance institutions.

**Key management actions** include establishment in FY 1997 of the remaining baselines through a national public opinion survey. Given the costs of conducting such a large scale survey, and the likelihood that the attitudes and perceptions the survey will document may not change nationally in a short time, the nation-wide survey will be repeated only at the end of the CSP period, probably in mid-2001. However, a more limited survey of the focus area and SO2 target areas is planned for early FY 1999. A thorough performance assessment of the SO will be undertaken in late FY 1999, based on survey results and the performance of other indicators. This "reality check" assessment will analyze progress in light of expected funding and staffing levels, as well as changes in other donor D/G programming and the Mozambique environment, and may lead to revisions in the SO2 results framework for the last two years of the CSP.

The country's first local elections are planned for early FY 1998, and the second round of democratic national elections is planned for early FY 2000. **Successful elections at both levels are important to the achievement of SO2**, and crucial to the sustainability of Mozambique's democracy and the avoidance of a return to armed conflict. However, at the current control levels for democracy/governance funding for Mozambique in FY 1998-99, any significant support for elections would mean that even highly successful activities (such as SUNY's legislative support program) would have to be cut back or curtailed completely. Meanwhile, efforts to improve institutional effectiveness and accountability in the judicial and executive branches (discussed above) could not be started in FY 1997 as planned, and support to civil society would have to phase out. Progress required through FY 1999, in order to subsequently achieve SO2 by FY 2001, is contingent upon a continuation of current funding levels at an average of \$3.5 million per year.



### C. Performance Data Table

|  |                       |                     |               |
|--|-----------------------|---------------------|---------------|
| <b>STRATEGIC OBJECTIVE 2:</b> Government and civil society are effective partners in democratic governance at national and local levels  |                       |                     |               |
| <b>APPROVED:</b> 01/MAR/1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Mozambique   |                       |                     |               |
| <b>RESULT NAME:</b> (Same as Strategic Objective)  |                       |                     |               |
| <b>INDICATOR:</b> Perceptions of influence on public decisions by political actors   |                       |                     |               |
| <b>UNIT OF MEASURE:</b> Percent of those surveyed who believe political actors influence public decisions; disaggregated by gender, age, occupation, rural/urban residence.<br><br><b>SOURCE:</b> USAID-commissioned nationwide public opinion survey at national level and in the Focus Area; partner-implemented surveys and/or focus groups within Target Areas.<br><br><b>INDICATOR DESCRIPTION:</b> Political actors include all citizens over 18 years of age. Data will be disaggregated or additional data obtained to show perceptions of key sub-groups of respondents: political party officials; National Assembly deputies; municipal assembly deputies; NGO and CBO leaders; and Executive Branch officials.<br><br><b>COMMENTS:</b> The three figures per box represent percentages of those surveyed at the national level; within the Mission Focus Area; and within the SO2 Target Areas. A provisional baseline is shown as "Actual" for 1996. Upon completion of the public opinion survey baseline in 1997, the 1999 and 2001 targets may be adjusted. The survey planned in 1999 will cover only the Focus Area and Maputo City. | <b>YE<br/>A<br/>R</b> | <b>PLANNE<br/>D</b> | <b>ACTUAL</b> |
|  | 1996                  |                     | 1%; 0%;<br>0% |
|  | 1997<br>B             |                     |               |
|  | 1998                  |                     |               |
|  | 1999<br>T             | 5%; 10%;<br>20%     |               |
|  | 2000                  |                     |               |
|  | 2001<br>T             | 15%; 20%;<br>33%    |               |
|  |                       |                     |               |

### Strategic Objective Three: Increased use of essential maternal and child health and family planning services in focus areas

This SO directly contributes to all four of the Agency's objectives in the population and health sector. It focuses on use of life-saving measures (such as immunizations, oral rehydration therapy, child spacing, prenatal care) which can be delivered in rural areas and which are known **to improve the health of women and children** and thereby reduce maternal and child mortality.

**These strategic emphases are a next step in Mozambique's transition from emergency provision of primary health care services to sustainable services in child survival, reproductive health, and family planning.**<sup>18</sup> Although Mozambique's urgent health needs are daunting, with the Mission's experience and the Agency's leadership in this sector, the Mission is confident of achieving SO3 by FY 2001.

The SO3 focus areas include six of Mozambique's 10 provinces, a rural population of about 10.5 million or 64% of the nation's total.<sup>19</sup> The proportion of this population benefiting will increase as more PVO partners' activities get underway, reaching 8.6 million people by FY 1999 and continuing to expand in the CSP's out years.

SO3 will be achieved through three intermediate results: (1) increased access to and (2) increased demand for community-based services, and (3) strengthened management of decentralized essential services.

#### **A. Performance Analysis**

During 1996, SO3's PVO partners moved away from emergency health services to focused maternal and child health interventions which directly contribute to Mission and Agency objectives; they have achieved some striking successes in pilot activities over the past two years, which are being extended and replicated. The Mission works closely with the GRM Ministry of Health (MOH) to ensure that PVO activities

#### ***USAID Supports Demographic Data for Decision Making***

*Two important SO3-supported national efforts were initiated in 1996, to be completed in 1997:*

- \* Mozambique's first **national census** since 1980 will provide information for planning and policy making in all sectors, and thus has implications for SO1 and SO2 as well as SO3. The need for these data is critical given the war-related displacement and isolation of about half of the population since the last census. In collaboration with the United Nations, USAID is assisting through a Global Bureau agreement with the U.S. Bureau of the Census.*
- \* The country's first-ever **Demographic and Health Survey (DHS)**, initiated by USAID at GRM request, will give information on health knowledge, status, and practices of women and children that is critical for health programming, and will also establish baselines and targets for SO3 performance indicators.*

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<sup>18</sup>To complement and support the SO3 strategy and contribute to Agency goals, the Mission developed an HIV/AIDS prevention strategy in December 1996 to: (1) promote AIDS awareness; (2) effect a change in high-risk behavior through promotion of information, education, and communication (IE&C) activities, including community-based peer education; and (3) promote the use of condoms as the primary, but not exclusive, means of protection against infection.

<sup>19</sup>All population numbers are approximations -- best available estimates -- until after Mozambique's 1997 census.

are integrated with government programs and plans, to maximize sustainability.

MOH data show progress in increasing use of essential health services during 1996: national service coverage increased from 30 to 40% of the general population from 1995 to 1996, and utilization of public health services and facilities increased in the SO3 focus area by 13% in Niassa province, 11% in Zambezia, and 17% in Gaza.

USAID-funded activities contributed to these increases, which have been underway since the emergency period. For example, health programs of World Vision (WV) and Save the Children Federation (SCF) improved primary health coverage and community health knowledge and practices. These results were demonstrated by higher immunization coverage, increased ORT use during diarrheal episodes, and improved breastfeeding and weaning practices. Because these results were achieved even during the emergency period and among some of the worst-affected rural populations, SO3 is confident that similar and strategically focused activities getting underway in 1997 also will mark significant results.

USAID's targeted investments in the national immunization program contributed to improvements in one SO-level indicator (DPT3 coverage for children 12-23 months of age). In WV's target area, DPT3 coverage reached 78%; in districts where SCF worked there was a 68% increase in DPT3 coverage from 1994 to 1996; and an increase from 75 to 85% in Health Alliance International (HAI) target districts.<sup>20</sup>

Throughout 1996, PVO partners provided **increased access to and demand for essential services** by developing community support, expanding facilities, training health providers, supplying facilities, and implementing IE&C activities. The following examples of successes achieved are now being strengthened and expanded in 1997.

- \* Increased access to and provision of community-based health services was accomplished in part through outreach from fixed facilities to rural communities. Where HAI collaborated with local communities, the proportion of fixed health facilities with community outreach services increased from 0 in 1991 to 85% in 1996, even as the number of fixed facilities also increased through post-war reconstruction. SCF also reported gains in outreach services in its areas of activity: in 1994 the ratio of community providers to the catchment population was 1:1,322, while in 1996 it was 1:200. Both SCF and HAI have established health committees and provided health education and information through grassroots community volunteers, an important element to sustaining access to and demand for services.

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<sup>20</sup>The MOH's reported 60% DPT3 coverage nationwide is a facility-based figure and over-estimates current coverage in the general population. Based on data from household surveys conducted by PVO partners in rural districts of Zambezia and Nampula provinces, SO3 estimates that current immunization coverage in rural Mozambique is only 20%.

- \* While PVO partners generally worked to develop community support and establish and strengthen fixed facilities and service points, some also improved the human resources necessary for expanded services. Training of birth attendants in targeted areas of Manica and Gaza provinces resulted in 95% of births being attended in 1995, compared to only 66% the year before. Despite increases in the absolute number of assisted births, the proportion of births attended by trained health workers remains at only about 30% nationally.
- \* USAID partners supported physical rehabilitation and construction of health facilities, and provided technical support to ensure that facilities are stocked with essential drugs and other supplies. In Manica, HAI strengthening of MOH provincial management and logistical systems resulted in consistent resupply of all health facilities in the HAI target districts. Consistency of supply -- long unknown in rural areas -- is essential to increasing demand for services.

***Condom Social Marketing  
for HIV/AIDS Prevention***

*Population Services International's (PSI) SO3-supported condom social marketing project has had phenomenal success in its 2-year pilot phase. Operating in urban and peri-urban areas of 4 provinces, PSI sold 5 million condoms through 1,000 commercial and community-based outlets. The project, an integral part of the MOH's National AIDS Control Program, has increased public awareness of HIV/AIDS transmission and prevention, using a mix of media including traditional theater presentations, interpersonal communication, and mass media. In the target provinces the proportion of women who know 2 ways to prevent HIV transmission increased from 30% in 1995 to 90% in 1996. Now in an expanded phase, the project has sales agents and IE&C activities in all 10 of Mozambique's provinces.*

An important complement to the improved community-based approaches supported by SO3's PVO partners is

**strengthened management of decentralized essential services.** Over

the past three years, USAID has strengthened the MOH's institutional capacity by funding health advisors to work directly with provincial MOH staff in Zambezia, Gaza, and Niassa to improve management. The MOH has noted "improvements in planning capacity, strengthened supervision, and utilization of the health information system to inform the planning process" in these provinces, and Gaza and Niassa received MOH Letters of Merit for improved supervision and data collection.

In partnership with UNICEF and with technical assistance from the USAID Global Bureau's Rational Pharmaceutical Management project, USAID provided training and pharmaceutical management materials in Portuguese which have resulted in improved procurement, inventory, and distribution of essential pharmaceuticals, especially at the central and provincial levels. This activity will be further decentralized during its next phase, with increased effort to measure the results and provide follow up in the field.

In **policy reform**, USAID initiatives helped Mozambique develop a foundation for effective and efficient health services and improve the overall health sector environment. **SO3 support accelerated the decentralization process**, with the MOH being the first ministry to devolve responsibility for human resources and financial planning and management to the provinces. The MOH recently requested USAID support to implement a new pharmaceutical policy which permits increased private sector involvement in the importation and distribution of essential drugs. In the area of health care financing, the Mission, with support from REDSO/ESA, is helping the MOH develop a plan for cost recovery of hospital services; cost recovery for curative services will over time enable a shift of GRM health sector funding to ensure essential services in rural areas, in line with SO3. Finally, support from the Global Bureau has helped the GRM develop a dramatic presentation to increase decision-makers' awareness of the social, political, and economic implications of rapid population growth. This presentation will be finalized in FY 1997 and presented to the National Assembly, other high-level government officials, and a range of non-governmental audiences during 1997.

### **B. Expected Progress through FY 1999 and Management Actions**

During the next three years, the SO3 team and partners will improve the health of mothers and children by increasing use of basic health services, both community and facility based. SO-level impact will be achieved by: increasing community support for basic services (including reproductive health); ensuring that rural health facilities and community-based health providers are equipped to provide essential services; and ensuring that health personnel are better trained and supervised. Given projected funding levels, SO3 activities will reach approximately 8.6 million people by 1999, about 74% of the SO3 focus area's total population, and impact directly on the health of approximately 2.6 million women and children.<sup>21</sup>

Although baseline data -- upon which targets for SO3 indicators will be based -- are not yet available, examples of planned SO3 activities and results through FY 1999 include:

- \* In Nampula province, PVO partners will cover 11 of 19 districts with maternal-child health services by the end of 1997. Community-based distribution of family planning information and services will be introduced, in line with the Provincial Health Directorate's support for PVO pilot activities to promote child spacing and distribute contraceptives through non-medical service providers, youth groups, and other grassroots organizations. As such alternative approaches are tested, recommendations will be made to the MOH for replication and expansion to other provinces. By the end of 1999, families in nearly all Nampula districts will be benefiting from SO3-supported access to reproductive health and child survival (including child spacing) services.

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<sup>21</sup> Approximately 30% of the focus area population is assumed to be women aged 15-49 and children under the age of five. Total population in the six SO3 focus provinces is estimated at 8.7 million.

- \* In Zambezia, SO3 will combine strengthened MOH management of decentralized services with the maternal and child health activities of PVO partners. The SO3 health-services contractor will continue to provide technical support for MOH planning and management training, and for coordinating PVO/NGO health service efforts. PVO partner activities will cover six of Zambezia's poorest and most populous districts by the end of 1997. These efforts, combined with those of non-USAID-funded PVOs/NGOS, will achieve SO-level impact in this province by the end of 1999. If increased USAID resources were available for SO3, additional districts in Zambezia would be covered, and greater impact achieved within the same timeframe.
- \* In Manica and Sofala provinces, SO3 partners already implementing child survival activities will extend them from central to northern districts, covering an estimated 80% of both provinces and a population of approximately two million by the end of 1999. While community outreach programs in Sofala are in their infancy, they will increase from the current level of 5% of fixed facilities to 50% in 1998 and to 85% in 1999. Support for trained traditional birth attendants (TBAs) will continue in northern Manica and be introduced in northern Sofala. In northern Sofala, where only an estimated 20% of trained TBAs receive regular supervision and supplies, PVO partners plan to reach 70% by the end of 1999. Central Manica's high level of immunization coverage will be maintained and extended to the northern districts of Manica and Sofala.
- \* In Niassa province, SO3 will expand maternal and child health services through a PVO partner working in five districts. A pilot cost recovery activity also will be initiated in one district, with potential for replication to others. There is little other donor or non-USAID PVO health activity in this vast province and, should additional resources become available, SO3 would finance a second PVO partner. The combined efforts of the PVOs, along with ongoing provincial-level management assistance from the health-services contractor, would even more significantly increase use of essential health services in Niassa.
- \* And in Gaza province, SO3 support will expand child survival and reproductive health services to five districts (total population of 550,000). Community outreach workers will be trained to provide reproductive health (including STD/HIV/AIDS) and family planning information and services. Training of TBAs will ensure that the majority of births in these districts are assisted. To facilitate community-based health services, health committees will be established in 25% of villages in these districts by the end of 1998, and in 40% of them by the end of 1999.

### ***The STD/HIV/AIDS Pandemic***

*Latest MOH estimates project two million Mozambicans -- 10% of the total population - will be HIV positive by 2000. This demands urgent action to improve knowledge and create demand for basic preventive services. In the short-term, USAID will support the expansion of information and behavior change messages through community-based peer education, with the lead taken by PSI. Targets are to triple annual condom sales by 1999. Over the longer term, SO3 support will:*

- \* Expand the quality and reach of IE&C, focusing on youth;*
- \* Increase NGO capacity for STD/HIV/AIDS prevention activities; and*
- \* Increase activities related to STD prevention and treatment.*

In assessing SO3 progress on increasing the use of essential child survival services through FY 1999, it is important to note the very low contraceptive prevalence rate in rural Mozambique: only an estimated 2-3% of women of reproductive age currently use a modern contraceptive method. Reducing unwanted pregnancies is an important Agency objective which received little emphasis during Mozambique's emergency period. **Given the direct relationship between family planning and improved health of mothers and children, as well as USAID's comparative advantage in this area, child spacing and family planning will be an important SO3 priority throughout the strategy period.**

Through a health-services contractor, SO3 will continue to provide technical assistance to the MOH for the decentralization and

strengthening of management capacity, with increased emphasis on the district level. By 1998, one-third of all districts in Niassa, Gaza, and Zambezia provinces, as well as one district in Nampula, will have decentralized health management systems. Decentralization and training in health counseling are expected to improve the quality of care, as measured by client satisfaction and increased demand for services. Approximately half of all districts in the SO3 focus area will receive management training by 1999; this, in the context of improved overall MOH administration and management, will lead to improved health service delivery.

Strengthening public and private sector capacity to sustain effective health policies and services is an important means of achieving SO3. Over the CSP period, SO3's international PVO partners -- with a proven track record of strong field operations, effective management right down to the community level, and significant people-level impact -- will work alongside indigenous NGOs to supplement government efforts to expand use of maternal and child health and family planning services. These partners will be complemented by Global Bureau cooperating agencies who will provide specialized expertise in reproductive health and sustainable approaches to expand service delivery.

### **C. Performance Data Tables**

|  |                       |                     |                    |
|--|-----------------------|---------------------|--------------------|
| <b>STRATEGIC OBJECTIVE 3:</b> Increased use of essential maternal and child health and family planning services in focus areas   |                       |                     |                    |
| <b>APPROVED:</b> 01/MAR/1996 <b>COUNTRY/ORGANIZATION:</b> USAID/Mozambique   |                       |                     |                    |
| <b>RESULT NAME:</b> (same as strategic objective)  |                       |                     |                    |
| <b>INDICATOR:</b> Immunization coverage (children)   |                       |                     |                    |
| <b>UNIT OF MEASURE:</b> Percent of children 12-23 months of age<br><b>SOURCES:</b> Partner PVOs' KPC surveys and national DHS, 1997(B), 1999 (KPCs only), 2001<br><b>INDICATOR DESCRIPTION:</b> Percent of surveyed children 12-23 months of age who have received three injections of diphtheria-pertussis-tetanus vaccine<br><b>COMMENTS:</b> Provisional baseline shows average from three surveyed districts in the focus area. The 1997 DHS (results available mid-year) will establish the final baseline, and targets may be adjusted at that time. | <b>YE<br/>A<br/>R</b> | <b>PLANNE<br/>D</b> | <b>ACTUAL</b>      |
|  | 1997<br>B             |                     | provisional<br>20% |
|  | 1998                  | 30%                 |                    |
|  | 1999                  | 45%                 |                    |
|  | 2000                  | 60%                 |                    |
|  | 2001<br>T             | 75%                 |                    |
|  |                       |                     |                    |
|  |                       |                     |                    |

### Part Three: Status of the Management Contract

The Mission's management contract with USAID/W remains valid, although the Mission has made adjustments in three areas to effectively program substantial earmarks in child survival, HIV/AIDS and environment. While the levels of economic growth resources were reduced from what was originally projected in the CSP, the Mission obtained and successfully programmed P.L. 480 Title II and Title III food aid to achieve SO1 results. The previous R2b submission in July 1996 suggested that the management contract may need to be revised, but the indicative FY 1997-99 levels for P.L. 480 Title II and Title III resources would obviate the need for revision if this level of funding is made available. The **P.L. 480 resources will continue to be used to offset the reduced availability of economic growth funds, and thus the continuation of food aid at least at the planned FY 1998 level is critical to achievement of SO1.** While some moderate reformulation of SO1 intermediate results may be necessary, the basic assumptions and strategy underlying this objective remain valid and unchanged. Furthermore, despite the reduction in economic growth funds, the Mission will still be able to maintain the ongoing policy



reform dialogue by replacing the non-project assistance commodity import program (CIP) with P.L. 480 Title III and the explicit conditionality in program agreements. Thus, the integrity of the CSP has been retained as well as the Mission's ability to maintain a policy reform dialogue.

Environmental protection, HIV/AIDS prevention, and family planning were included in the CSP, but at a substantially lower level of funding. Agency earmarking has resulted in a significant increase in resources to the Mission for these sectors, and this in turn has led the Mission to update and refine the strategy to maximize the strategic impact of these resources. A supplemental assessment for HIV/AIDS prevention was recently undertaken, and a similar exercise with respect to environmental protection is planned for March 1997. These supplemental assessments will enable the Mission, and specifically the SO teams, to focus resources on those interventions that will have the highest potential for achieving results and contributing to GRM national priority programs.

**For SO2, there would be insufficient activity at an annual funding level of \$2 million to warrant a separate strategic objective for democracy and governance.** The SO would be subject to reclassification as a target of opportunity with substantially reduced results. In order to achieve SO2 by FY 2001, as outlined in the CSP, USAID/Mozambique will require a continuation of current D/G funding levels of approximately \$3.5 million annually. The notable SO2 results achieved in FY 1996, as well as the importance of continued progress in this sector to Bureau and Agency objectives and U.S. foreign policy goals, warrant such a continuation.

**USAID/Mozambique**  
**FY 1999 Results Review and Resource Request**

**Part Four: Resource Request**

USAID/Mozambique's resource request is based on an analysis of the minimum resources required to achieve the results outlined in the Mission's management contract and the control levels established by the Africa Bureau. Furthermore, this submission is cognizant of the guidelines on special Congressional and Administrative interest areas. As noted in Parts II and III of this report, there has been a major reallocation of DA/DFA resources from what was originally presented in the CSP. However, much of the potential negative impact of the reduction of economic growth funds for SO1 has been mitigated by the subsequent increase in food aid resources, which could be directly used by the majority of implementation partners associated with SO1. The Mission is currently in the second year of a five-year strategy. The Mission portfolio of activities was thoroughly vetted last year with respect to activities that would continue to contribute to the Mission's strategic objectives. Several projects (activities) will receive no new obligations and are in the process of phasing out. Three of these, Regional Rail Systems Support (690-0247), PVO Support (656-0217), and Demobilization/Reintegration Support (656-0235), will end in FY 1997. The remaining projects (activities) were judged to be important contributors toward achieving the CSP objectives and subsumed under the appropriate SOs.

The Mozambique program is sharply focused and has only three strategic objectives. An examination of the SOs and the reinforcing linkages will demonstrate that there is a high level of synergism among them. Increasing rural income and food security is dependent upon lessening the burden of disease and child-bearing on the predominantly female smallholder labor force. Likewise, health and nutrition are dependent upon increased income that will provide the resources necessary to seek health care and improve consumption at the household level. A healthier, more productive population can better participate as a civil society partner to government. At the end of the first year of the CSP, all three SOs are on track and none is experiencing any major implementation constraints.

The Mission is cognizant that good management of limited financial resources dictates close attention to financial planning, performance, and pipeline analysis. While activities are designed as multi-year activities and the grants and contracts that support implementation are also multi-year in scope, the grant/contract funding is incremental and subject to annual adjustments based on implementation progress, expenditure rates, and forward projections. Thus the following projections by SO are based on activities currently being implemented and new activities that are deemed essential for achievement of planned results and meeting the objectives stated in the CSP.

**A. Financial Plan**

Strategic Objective One -- Increased rural household income in targeted areas

**The Mission's request for SO1 is \$41.7 million in FY 1998 (increasing to \$42.8 million in FY 1999), which represents a combination of funding from economic growth, environment, Africa Food Security Initiative, and P.L. 480 Title II/III food aid.** In FY 1998 the required amounts by funding source to sustain planned activity levels are: (1) \$10.7 million in economic growth; (2) \$4 million of African Food Security Initiative funds; (3) \$6.1 million in environment funds, and (4) \$20.9 million in P.L. 480 Title II and III. This is the minimum amount required by the Mission to continue activities to reopen rural access roads and reestablish agricultural markets (\$19.3 million for rural road rehabilitation and market development), support the development of rural micro- and small enterprises (\$8 million), and increase agricultural output and improve natural resources management (\$14.4 million) through improved farming techniques and environmentally sound sustainable farming practices. The lack of access and need for road rehabilitation in the rural areas and specifically in the Mission's focus areas is a critical constraint to economic growth and to expanding agricultural markets, improving the availability of social services (health and basic education), and encouraging citizen participation in civil society and democratic governance.

P.L. 480 Title II and III resources are integral parts of the resource package supporting implementation of SO1 activities. A major portion of the activities associated with intermediate result 1.3 -- Increased Agricultural Output -- will be implemented by six PVO partners through multi-year and multi-funding source Development Assistance Programs (DAPs). Over a five-year period starting in FY 1997, these DAPs will be funded through a combination of P.L. 480 Title II monetization (\$73 million) and 202(e) funds (\$6.7 million), grants under the Mission's PVO Support II Project (\$16.5 million), and PVOs' matching contributions (\$4.5 million). On an annualized basis, the six DAPS will require approximately \$15 million in monetized P.L. 480 Title II funds, \$1.5 million in P.L. 480 Title II 202(e) funds, and \$3.5 million in sub-obligations from the Mission's economic growth funds. The PVO grantees will contribute an additional \$0.9 million annually in matching funds.

Strategic Objective Two -- Government and civil society are effective partners in democratic governance at the national and local levels

**The Mission's request for SO2 is for \$3 million in FY 1998 (a nearly 10% reduction from FY 1997) and \$4.0 million in FY 1999 (\$1.0 million of which is ESF), whereas the AFR Bureau's control figure for each of these years is \$2.0 million.** The country's first local elections are planned in early-to-mid FY 1998, and the second round of democratic national elections are planned for early FY 2000. Successful elections at both levels are crucial not only to the achievement of SO2, but to the sustainability of Mozambique's democracy and the avoidance of a return to armed conflict. Yet at the current D/G control levels for Mozambique in FY 1998-99, to adequately support these key events would mean that even highly successful activities such as the legislative support program implemented by SUNY could have to be cut back or curtailed completely. At \$2.0 million per year, after accounting for program management and impact monitoring costs, only \$200,000 would remain annually if SUNY's

current funding level (\$1.4 million per year) were to continue. Under this scenario, efforts to support improved effectiveness and accountability through institutional adjustment involving the Judicial and Executive branches could not be started. Elections would receive token support, and significant support to civil society would phase out.

The \$7.0 million pipeline figure at the end of FY 1996 shown in the tables that follow is somewhat misleading. As of the date of this writing, \$3.8 million of this funding has been earmarked for ongoing activities, several of which will end in FY 1997. Of the \$3.2 million remaining, \$1.0 million is locked up in the legislative strengthening program and program management, leaving only \$2.2 million for new activities.

What would a \$2.0 million funding level mean for the type of strong results demonstrated in FY 1996? Not only would planned activities to further strengthen civil society advocacy skills be canceled, but so too would either the planned program to assist the decentralization/local governance process, or that intended to strengthen the judicial sector. In any event, a \$2.0 million level for both FY 1998 and FY 1999 would force the Mission to revise SO2 downwards, i.e., fewer results and less impact.

#### Strategic Objective Three -- Increased use of essential maternal/child health and family planning services in focus areas

The Mission's FY 1998 request for SO3 is \$16.4 million, consisting of \$6.2 million for child survival activities, \$6 million for population/family planning, \$3.2 for HIV/AIDS prevention programs, and \$1 million to support other health interventions primarily focusing on strengthening management of decentralized essential health services. During FY 1997 a number of PVO partners as well as Global Bureau cooperating agencies will be implementing new child survival and family planning activities in support of SO3. The overall program for child survival/family planning is slated to expand from 34 districts in FY 1997 to 55 districts in FY 1999, serving 8.6 million persons, 74% of the population in the SO3 focus area. The resources required in FY 1999 to achieve this coverage is \$17.1 million. However, health services coverage will not reach 100% of the population in each focus province, and a few districts will remain unserved. Should additional funding for child survival/family planning be available, implementing PVO partners would expand activities to include those remaining districts. Should resources be less than the levels noted above, the SO3 team would reduce the rate of expansion into new districts, and consequently overall impact would be reduced. The Mission would have to reduce the number of implementing partners, thereby decreasing overall access to services. Because most of the community level health interventions are designed as a package of services that are considered to be essential for basic health maintenance in a rural environment, reducing services in existing districts as opposed to reducing expansion would not result in significant cost reduction for the PVO, due to program overheads and up-front establishment costs.

Decentralization and strengthening of MOH management capacity is essential to providing sustainable health services in rural areas. Approximately \$1 million is required annually to support the on-site training and technical assistance to MOH staff in three provincial centers.

The HIV/AIDS prevention program, originally tested as a pilot program, will now be expanded nation wide based on the excellent results to date. An estimated \$3.3 million annually will be required to support expansion of the social marketing of condoms, condom procurement and a nation-wide HIV/AIDS prevention education program.

## **B. Prioritization of Objectives**

Mozambique is one of USAID's larger programs in Africa. The Mission decided during CSP preparation to focus on a limited number of SOs and to emphasize the achievement of maximum results based on available resources in these three specific sectors. The program has two relatively large SOs and one modest SO. All three SOs are on track with respect to implementation and progress towards achievement at this early stage of the CSP. Linkages and synergy among the SOs, designed to maximize the impact of funding across sectors, have already been described in other sections of this document. With so few SOs it would not be prudent to rank order the SOs. Identifying either SO1 or SO3 for elimination would effectively close approximately half the Mission's program, and in the case of SO3 would significantly reduce the Mission's ability to comply with Agency earmarks. All three SOs are essential to achieving the Mission's CSP. Should Agency financial constraints necessitate a reduction in program funding levels, the Mission would propose to selectively identify specific activities within each SO to be reduced or eliminated -- rather than eliminate an SO altogether -- to bring the program down to the level that can be sustained with available resources. A severe cut may require the redefinition of an SO as a target of opportunity; however, the Mission would still seek to retain essential activity in all three sectors.

## **C. Linkage of Field Support, Non-Emergency Title II, and Title III**

As discussed above, non-emergency Title II and Title III resources are essential for achieving SO1 objectives. Any reduction in Title II and Title III resources would result in a commensurate reduction in the level of activity and impact of SO1. Each SO1 results package has a substantial portion of activity supported by Title II and Title III funding. Funding for the six PVOs implementing Development Assistance Programs (DAPS) is a combination of resources of which P.L. 480 Title II accounts for 79% of the total. Furthermore, a major portion of the Mission's policy reform agenda is directly supported by the Title III program. For these reasons, both Title II and Title III are integral components of the USAID/Mozambique's development program.

The Mozambique Mission is currently making use of a substantial number of field support projects from the Global Bureau, particularly in support of SO3. A major portion of the Mission's family planning program will be implemented through G-Bureau field support. Field support will also be instrumental in carrying out activities in maternal/child health and HIV/AIDS prevention. SO3 is requesting \$5.3 million in field support for FY 1998, of which population activities constitute \$2.9 million. In FY 1999 the level increases to \$6.1 with population requirements set at \$3.1 million. All the Mission's contraceptive procurement is through field support, and a major activity under the G-Bureau Family Planning Services project is anticipated for FY 1998. Field support activities (e.g. POLICY, Logistics Management,

Health Policy/HCF and Health Policy for Rational Pharmaceutical Management) will thereby directly support the USAID-GRM policy dialogue in the population and health sectors. In addition, SO2 plans to utilize several field support activities, including rule of law, conflict resolution, support to local government, and election assistance. During the period FY 1997-99 field support requests from SO2 will average \$1.0 million per year. The CFES activity (936-5468) supports the electoral process and will account for half of the total planned SO2 field support.

#### **D. Workforce and OE**

In FY 1998, the Mission is requesting a total operating budget of \$3,841,900, including ICASS (International Cooperative Administrative Support System) costs. This represents a budget reduction of 2.2% over the Bureau levels approved for the Mission in FY 1997. In FY 1999, the Mission budget request represents an additional 2.3% reduction. The Mission will meet its target workforce levels by the end of each fiscal year.

These reductions reflect lower operating costs resulting from staff reductions which are planned in FY 1997 and those that will be scheduled in FY 1998 and FY 1999. In addition, during FY 1997 the Mission has significantly reduced lease costs (both in terms of units and unit cost), negotiated lower international phone rates and conducted five property sales in order to clear our warehouses of old unusable NXP. In FY 1998, the Mission plans to consolidate its warehousing and will terminate one warehouse lease. Further, as a result of staff reductions, one office lease will be terminated in FY 1998. These consolidation efforts also reduce associated costs such as guard services and utilities.

Until the arrival of our Executive Officer (EXO) in January 1997, the Mission had been operating without a full-time USDH EXO for over 28 months. To assist the new EXO in assessing Mission Management needs, the Mission has scheduled a Management Assessment to be conducted by two TDY EXO field personnel (including one retired foreign service officer) in FY 1997. Recommendations of this team will be implemented during the remainder of FY 1997 and FY 1998.

In February 1997, the Office of Procurement fielded a Contracting Assessment Team to review the procurement process in both the Mission Contracting Unit and the Executive Office. Based on a positive debriefing meeting held February 28, 1997, the team's report will include several constructive recommendations which the Mission plans to implement in FY 1997/1998 to improve the procurement process in USAID/Mozambique.

During FY 1997, the Mission has worked closely with other agencies at post to ensure that ICASS is implemented in the spirit intended and will result in more efficient U.S. Mission operations in future years. The ICASS Council has agreed that the Mission will operate under the ICASS standard version beginning in FY 1998. This will allow USAID and other agencies to more fully participate thus making the process more efficient. USAID is considering ICASS for services in FY 1998 such as travel, C&R, switchboard and cashiering. It is not clear at this point

whether USAID would be a service provider or simply a customer for any or all of these services. If the analysis is favorable, consolidation of these services will result in reduction (transfer to ICASS) of 7 of the 10 FSN staff positions required in FY 1998. The remaining three positions will be determined based upon further review of staffing requirements once NMS is fully operational in FY 1998. Given the current status of NMS implementation in the field, it is too early to identify positions which could be reduced. In FY 1999, the Mission USDH workforce has been reduced by one position. The Mission has currently budgeted to reduce the Mission Deputy Director position upon departure of the current incumbent at the end of his tour in October 1998.

## **E. Environmental Compliance**

During FY 1996, USAID/Mozambique significantly advanced the environment-related activities reported on for FY 1995. Progress was achieved through collaboration with PVO and NGO partners, GRM partners, REDSO/ESA, AFR/SD/PSGE, and the private sector. In FY 1997 these efforts will increase. This section describes the Mission's environmental strategy process and reviews environmental progress, highlights accomplishments, and 22 CFR Part 216 requirements within each of the Mission's strategic objectives.

### **Environmental Strategy**

During 1997 the Mission will prepare an environmental management strategy to supplement and support the CSP by explicitly addressing: (a) Mozambique's needs in environmental capacity building; (b) opportunities in the Mission's focus area to promote sustainable resource use through land use and resource planning and application of Strategic Environmental Assessment methods; (c) synergy and complementarity of environmental concerns with the Mission's SOs; and (d) the Agency's programmatic emphasis on environmental management and the Mission's use of "earmarked" environmental funding. The strategy will identify and prioritize environmental program areas and interventions in which the Mission will have a comparative advantage, without duplicating the activities of other donors, and with potential to improve and extend the CSP achievements.

### **Environmental Review Issues and Planned Activities**

There are **no unresolved issues** regarding implementation of 22 CFR Part 216 (Reg. 16) for the Mission's programs and activities. The Mission has instituted a process to ensure that appropriate environmental review, mitigation, and monitoring take place consistent with the principles of flexibility intended under re-engineering and Reg. 16. This process will be extended to new activities, subject to BEO approval. The Mission will ensure that each SO team integrates timely environmental review into the decision-making process for activities, and understands that no irreversible commitment of resources is to be made by the SO teams before environmental review is completed and the findings considered for design and implementation (ADS 204.5.3). The accompanying table summarizes environmental review requirements anticipated in FY 1997 and FY 1998.

### **SO1: Increased rural household income in targeted areas**

Wise use of environmental resources is essential to sustainable agricultural development and economic growth in Mozambique. Sustainable agricultural management practices both increase productivity and help conserve the resource base. Opportunities created through promotion of environmental enterprises, non-timber forest products, and community based natural resource management activities will provide alternative income sources and more sustainable resource uses for rural households.

### **SO2: Government and civil society are effective partners in democratic governance at national and local levels**

An SO-level IEE was considered but is not currently planned. A new Local Empowerment Governance Activity (LEGA) to promote community decision making may result in modest community infrastructure or resource management activities; if so, the Mission will amend the existing IEE. USAID plans to adapt existing PVO environmental review procedures to ensure environmental accountability as part of local empowerment under LEGA.

### **SO3: Increased use of essential maternal and child health and family planning services in focus areas**

An SO-level IEE was contemplated but is not now envisioned. The Mission has recently completed an HIV/AIDS prevention strategy; planned uses of HIV/AIDS funding (IE&C and promotion of condom use) will probably be categorically excluded under Agency environmental procedures.



### Environmental Review Status, Plans and Schedule

| ASSISTANCE ACTIVITIES  | FY 1996 or previous  | FY 1997  | FY 1998   | Comments  |
|--|--|--|---|---|
| <b>SO1: Increased rural household income in targeted areas</b>   |  | Possible SO-level IEE  |   |   |
| Rural Access Project (RAP)<br>(through FY 2002)  | 1995 review process validated; focused env analysis of alternative Gorongosa to Caia/Sena routes | Continue review process. Inst. strength. of DNEP for mit. & short-term mon; mon of induced impacts                 | Possible referrals based on use of process in place | Proactive CBNRM mitigation concept for Gorongosa area initiated FY 1997.  |
| PVO Support II Project<br>(through FY 2001)  | PVOs using 1995 IEE screening and review process   | PVOs continue approved process; referral of few env. reviews; to BEO possible; possible amended IEE for pesticides | Same as FY 1997                                     | PVOs trained in screening and review. MEO provides BEO with summary list of activities approved. Additional training for NGOs planned |
| Private Sector Support Program (PSSP) and Private Sector Support Technical Assistance Project (PSS/TA)<br>(through FY 1998)  | Amended 1992 IEE; Cat Ex for TA and EMEMP for PSSP; 1993 study re EMEMP not pursued              | Amend IEE if cashew pilot with possible use of fungicides proceeds. Likely Cat Exclusion or Neg Det                | To be determined                                    | SO 1 team reconsidering pursuit of EMEMP or similar in modified form  |
| P.L. 480, Title II & Title III Activities  | Title II following PVO Support review process in most cases                                      | New BHR procedures to be followed  | Same as FY 1997.                                    | Mission to assess for sound environmental programming during annual DAP and Title II reviews  |
| <b>SO2: Government and civil society are effective partners in democratic governance at national and local levels</b><br>Democratic Initiatives project (DIP)<br>(through FY 2001) | IEE 1994 with Cat Exclusion  | Amended IEE for new LEGA   | To be determined                                    | Adapted PVO Support II approach for env. reviews  |
| <b>SO3: Increased use of essential maternal and child health and family planning services in focus areas</b><br>Primary Health Care Support Project<br>(through FY 1999)           | IEE 1994 with Cat Exclusion  | Review 1994 IEE for continued applicability of Cat Exclusion   | To be determined                                    |   |